IMPORT OF SOVEREIGNS FROM LONDON.

Reference:--Residency demi-official letter No.6082 of 1"th July 1920.

***

Para 2

Ext. to Home

As I wrote to Mr Banerji from Kashmir, I new Masht Mal ~~to G of I~~ work there was any chance of this request being acceded to by the G of I. & this decision of theirs does not surprise Mr Ahl-. Personally, I think their arguments & justification of their refusal are unanswerable.

Para 2.--Our holding was not in India and we could not tender it for conversion into silver at Rs.15 per sovereign. What we asked for was a licence for -- exporting sovereigns from London and permission to -- import them to India. The reference of the Government of India in this para to the announcement regarding the introduction of the rate of 2s. to the rupee and to the tenders of sovereigns to Currency offices for exchange into rupees is not therefore relevent.

As for the observation of the Government of -- India that they are not responsible if ~~we~~ we did not choose to avail ourselves of the concession given by them to bring bullion to India after purchasing it in London with our sterling credit, I may state that as a matter of fact, we have not only not lost but have even gained by waiting. The reason for this result is that in the meantime the rate of exchange turned in our -- favour and declined from about 2s.4d. which was the -- rate when the concession of bullion import was allowed to us, to 1s.9d. and 1s.11d. the rates at which we -- actually transferred our funds. The calculation is as under:-

This May annul Mr Chamier's gain was one of the unexpected large drops fall in the exchange, of which Myself not benefited. I am afraid I was too much slow & take advantage.

(1) Date of Residency letter intimating bullion import concession, 31st March 1920.

(2) Rate at which we could have bought bullion in London, about 104 shillings an ounce.

(3) Quantity of bullion for £300,000(the amount later on remitted by T.T.) 57,700 oz.

(4) Rate per tola of fine gold about the middle of May 1920 when the purchased bullion would have been available for sale in India, Rs.21-6-0.

(5)

35

(5) Value that would have been realised in rupees for 57,700 oz. of gold bullion if sold at ₹21-5-0 per tola. ₹ [illegible].

(6) Amount actually realised by sale of Telegraphic Transfers as follows:-

Date of sale.	Rate.	Sterling amount.	Rupee proceeds.
28th June	1/9 d.	£200,000	Rs.22,86,000
24th July	1/11d.	£100,000	Rs.10,43,000
			Rs.33,29,000.

(7) Difference between (5) and (6)... ₹ 40,000.

It will be seen from the above figures that we did not lose by not buying bullion in London and selling it in India as soon as we were allowed to import bullion without being subjected to the Gold Import Act. The value of our sterling credit improved by the decline in the rate of exchange. What we requested the Government of India was to convert our sterling credit into coins and dispose of the latter either as coins for sale each or if that was not possible for the value of their gold contents which could have been obtained in the Indian market. If either of these requests had been allowed, we would have got about Rs.13 lakhs more.

In reply Govt. of India say that it was impossible to convert Sterling credit into Coins.

Para 3.-- It is stated that we are not prejudiced in any way by demonetisation of the coin sovereign as the acquisition rate for a sovereign on import was fixed on the 2nd February 1920 at [illegible]. But the acquisition rate was for private imports and not for imports of a Government. -- Corresponding to the rate for a sovereign, there was a no acquisition rate for gold bullion itself and in spite of the law of compulsory acquisition of gold bullion at the fixed rate, we were given the permission to bring gold bullion from London and sell it for what it was worth in the Indian market. That our imports could not be brought under the Gold Import Act was recognised by the Government of India but the recognition did not go far enough as it was limited only

Yours [illegible], enclosing copy of Please see my note which I sent to the Bureau, explaining that the Statistical Bureau is not such a valuable one otherwise as it made it out to be.

only to Gold bullion and not extended to sovereigns as well. It is difficult, therefore, to understand how the Government of India contend that we have not been prejudiced by their action.

Further on in the same para the Government of India say that "if the Durbar were to import sovereings after the moratorium they could probably sell them in the bazaar at a higher rate as gold than the equivalent of . .10 for each sovereign." But we cannot now import sovereigns from London. I made an enquiry of the Bank of Bombay on this subject and I put up the telegraphic reply received from it. The freedom of import now permitted applies to consignments of sovereigns from South Africa and other -- countries. Even now if only we could get sovereigns in London and also get a license for exporting them from -- there, we can sell it as gold in the Indian market at -- about . .14 each. It is difficult to understand how the Government of India write as if we now had it in our power to get sovereigns in London and bring them to India when, as a matter of fact, we cannot do so.

Paras 4 & 5.-- The Government of India state that we could not have obtained sovereigns for our sterling credit in London and that they could not have supported any application of ours for getting sovereigns especially from the Bank of England. The Government of India overlook the fact that the currency in England was not legally inconvertible and that we had a right to demand sovereigns in exchange for our credits in London. The Bank of England [illegible] gold at 85/- sh. per oz. which is the coin value of an ounce of gold. Surely, that Bank should not refuse to give back to the seller of gold his own gold in the form of coins. It is true that the gold was not directly sold by us to the Bank of England, but it should not be overlooked that the request for

sovereigns

May say that ours was an impossible request so far as Sovereigns went.

I am not sure if they really say so. Please refer the speech of the Finance Member of the Legislative Council (in session now) in the course of which he stated as follows "You cannot get Sovereigns to-day, while as currency is for export, in England one can get as much of the limited supply available from South Africa."

sovereigns was not on behalf of any particular individual or a company but of a Government, which had allowed its gold to be exported to London. If we could not bring back our share of gold undimished in value or its corresponding market value in depreciated sterling, surely, it would -- have been reasonable for us to ask the Companies not to take our share of production to London at all. It is unfair to penalise us for having permitted the gold to be taken to Lodnon. The Bank of England continued to purchase half of our gold at the coin value of 85/- sh. per oz. until May last, while the production of other countries like South Africa, were allowed to be sold for full market value from July 1919: vide London Times Financial Supplement dated 23rd January 1920. As our gold was purchased at much less than its market price, we were deprived of our proper share of roualty measured in depreciated sterling. If the Bank of England bought our gold at its coin value, it could not reasonably refuse to give us coins in exchange for credit, especially when currency was fully convertible according to law. If it was not prepared to issue sovereigns, it should have, at least, bought the gold at its proper marlet value, in which case we --- could have got a larger amount of royalty.

What has Mr Ananymal stated with us, May we say. It is in the matter of business Contract between the Bank & Mysia Gold Mining Companies

The statement that the Mysore Mines were treated in the same way as other mines in the British Empire is not, I think, correct. It will be seen from the Financial and Commercial Supplement of the Times dated 23rd January 1920 that the gold produce in others parts of the Empire were permitted to be sold for their proper market value from July 1919.

The Government of India state that even if we could have got sovereigns, they could not have given us anything more than Rs.10 for each sovereign which was the acquisition rate at the time and that to have paid us

us Rs15 for each sovereign would have resulted in a loss to them of Rs15 for each sovereign. We never wanted our import of sovereigns to be taken over by the Government of India at Rs15 per sovereign. All that we requested them was that we might be permitted to bring the sovereigns to India. If they did not want us to dispose of them as coins, we would have had no objection to convert them into gold and dispose of the bullion, as the Government of India themselves admit in the same para that the value of a sovereign in the Indian market, though less than Rs15, had not declined to Rs10. If we had disposed of our sovereigns as gold bullion in the Indian market, we would have realised for it a much better value than that at which we could have our balance transferred by means of bank drafts even if we may not have been able to obtain the full value of Rs15 for the quantity of gold in each sovereign.

Para 6 & 7.-- We did not ask for any benefit to Mysore finance at the expense of the Indian tax-payer. As a matter of fact, it is the Mysore tax-payer at whose expense the English tax-payer has benefited. The cheap purchase of Mysore gold by the Bank of England meant the transfer of a part of the revenues of the Mysore State to the Exchequer of the United Kingdom. It is, therefore, unfair to characterise our request as an attempt at benefitting Mysore finance at the expense of the Indian tax-payer.

Some very important consideration which we urged in favour of our request are not adverted to in the Government of India letter at all:-

(1) The new exchange policy of the Government of India has reduced our revenues to the extent of about -- 20 lakhs per annum as a permanent measure. The position, therefore,

therefore, in which the Mysore Government is placed by such policy is one in which they deserved sympathy at the hands of the Government of India. The Mysore Government have been very generous in making free gifts and even in waiving claims to charges payable by them. All these -- facts should have weighed with the Government of India and ind ced them to comply with our request.

(ii) The Mysore Government permitted the export of gold throughout the period of the War, although the disposal of such gold in the market would have meant considerable advatange to their own revenues and t h e revenues of the gold Mining Companies and a request for bringing back a small share of that gold after the end of the War should ~~hmx~~ not have been considered unreasonable.

(iii) The Durbar have no coinage laws of their own and accordingly do not get the share of profits of coinage contributed by the people of Mysore and such share benefit the British Indian tax-payer. It should also be added that the share of interest upon the invested portion of the paper currency reserve based on the circulation in the Mysore State also goes to benefit the British Indian tax-payer. Again, the entire customs duty and the salt tax paid by the Mysore tax-payergoes to the British ---- Treasury. It will be seen that the position is not one of the Mysore tax-payer being benefited at the expense of the British Indian tax-payer: it is exactly t h e reverse and throughout it is the British Indian tax-payer ~~hat-is-ben-~~ that is benefited at the expense of t h e Mysore tax-payer. How, in the face of all these facts, it is stated by the Government of India that our request was an attempt to gain at the expense of the british --- Indian tax-payer, it is really difficult to understand.

"Copy"

(Sd.) m.n.K
1.9.20.

Papers sent to Mr. J.S.Chakravarti.

1. A closed D.O. from the Huzur Secretary

2. D.O. No. 162 from the Financial Secretary with enclosure (in original)

3. Huzur Secretary's D.O. dated the 9th September 1920 to the Financial Secretary, with enclosures.

4. Huzur Secretary's Note on Gold Bullion.

5. Copy of D.O. No 141 dated 4th September 1920 from the Financial Secretary with two enclosures :-

   1. Import of Sovereigns from London.

   2. Copy of D.O. No. 6082 dated 17th July 1920 from the 1st Assistant Resident.

These were sent registered on 20th September '20